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Message Text

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PAGE 01 YAOUND 02585 241626Z
ACTION AF-10

INFO OCT-01 ISO-00 EB-08 INR-10 L-03 SS-15 SP-02
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FM AMEMBASSY YAOUNDE
TO SECSTATE WASHDC IMMEDIATE 5594

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STADIS//////////////////////////

FOR ASSISTANT SECRETARY MOOSE FROM AMBASSADOR SMYTHE

E.O. 11652: N/A
TAGS: PDEV, EFIN, EAID, CM
SUBJECT: POSSIBLE COMMERCIAL FINANCING OF RAILROAD REALIGNMENT
FROM EDEA TO NDOG/BISSOL

REF: (A) YAOUNDE 2570 (B) YAOUNDE 2431

1. REF B REPORTED THAT THE GURC WAS CONSIDERING FLOATING A
50 MILLION DOLLAR COMMERCIAL LOAN ON THE EURODOLLAR MARKER IN
ORDER TO FINANCE THE CONSTRUCTION OF THE EDEA-NDOG/BISSOL PORTION
OF THE TRANSCAMEROONIAN RAILROAD, THE GURC'S HIGHEST
DEVELOPMENT PRIORITY. REF A REPORTED THEBACKGROUND TO, THE GURC
RATIONALE FOR, AND THE PRESENT STATUS OF THE LOAN, AS WELL
AS THE REACTIONS OF OTHER DONOR INSTITUTIONS. AS I UNDERSTAND THE
SITUATION, CONSUMMATION OF THE LOAN AGREEMENT - OR PERHAPS
EVEN THE GURC'S CONSIDERATION OF IT - COULD JEOPARDIZE THE PROPOSED
USAID LOAN OF $7.5 MILLION ON CONCESSIONAL TERMS FOR THE
DOUALA-EDEA SECTION OF THE RAILROAD.

2. OUR DECISION TO CONSIDER THIS LOAN WAS IN RESPONSE TO A
PERSONAL PLEA BY PRESIDENT AHIDJO TO FORMER AMBASSADOR SPIRO.
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ALTHOUGH AID'S CONGRESSIONAL MANDATE DISCOURAGES US PARTICIPATION
IN INFRASTRUCTURE PROJECTS, AN EXCEPTION WAS MADE IN THIS CASE
BECAUSE WE HAVE HELPED FINANCE PREVIOUS SECTIONS OF THE RAILROAD,
BECAUSE IT IS, AS MENTIONED ABOVE, OF THE HIGHEST PRIORITY AND
IS ESSENTIAL TO CAMEROON'S DEVELOPMENT, AND NOT LEAST BECAUSE THE
APPEAL CAME PERSONALLY IN THE STRONGEST TERMS FROM PRESIDENT
AHIDJO. IN THE GURC'S EYES, THIS LOAN SYMBOLIZES OUR POLITICAL

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COMMITMENT TO CAMEROON'S ECONOMIC DEVELOPMENT. FURTHERMORE, I HAVE
THOROUGHLY DISCUSSED THE COMMERCIAL LOAN WITH FINANCE MINISTER
YONDO, AND MEMBERS OF MY MISSION HAVE DISCUSSED IT WITH TRANSPORTATION

MINISTER MONIE. BOTH CONVERSATIONS LEAD ME TO BELIEVE THAT THE
GURC, WHICH HAS A WELL-EARNED REPUTATION FOR FISCAL PRUDENCE,
IS CONVINCED OF THE SOUNDNESS OF THE PROPOSAL. THEIR ANALYSES
INDICATE THAT THIS FINANCING AND PRICING PACKAGE WILL RESULT IN
A LOWER COST THAN IN THE LAT 1980'S WHEN DONOR FINANCING IS EXPECTED
TO BE AVAILABLE. IN ADDITION, THE CAMEROONIANS WILL AVOID THE
SOCIAL COSTS OF PUTTING OUT OF WORK SOME 1,000 MEN AND WILL
GAIN A HEADSTART ON THE REALIGNMENT OF THE EDEA-MALLOUME SECTION
OF THE RAILROAD, WHICH IS EXPECTED TO BE THE MOST DIFFICULT AND
MOST COSTLY OF THE ENTIRE TRANSCAM PROJECT. THEREFORE, I BELIEVE
THAT EVEN TO CONSIDER WITHDRAWAL OF OUR FUNDS AT THIS LATE
STAGE WOULD RAISE THE SPECTRE OF AN UNJUSTIFIABLE INTERVENTION IN
THE INTERNAL AFFAIRS OF THE GURC, WOULD BE A TANGIBLE INDICATION
OF OUR LACK OF CONFIDENCE IN THE GURC'S ABILITY TO MANAGE ITS
OWN AFFAIRS, AND WOULD ULTIMATELY THREATEN EXISTING GOOD RELATIONS
BETWEEN THE US AND CAMEROON.

3. ON MAY 25, 1978, AID WILL BEGIN ITS FINAL CONSIDERATION OF
THE PROPOSED LOAN. IN LIGHT OF POLITICAL FACTORS MENTIONED IN
THE PREVIOUS PARAGRAPHS, I URGE YOU TO FOLLOW THE PROGRESS
OF THE LOAN REVIEW CLOSELY, AND TO BE PREPARED TO TAKE ALL
ACTION NECESSARY TO INSURE THAT THE LOAN RECEIVE EXPEDITIOUS
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AND FAVORABLE CONSIDERATION, IN NO WAY CONTINGENT UPON THE
GURC RELINGUISHING COMMERCIAL FINANCING.
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